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THE FARMERS HOME ADMINISTRATION AND ITS BORROWERS

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An important supplement to private and cooperative agricultural credit is provided in the loans of the Farmers Home Administration. About 194,000 farmers used FHA credit in 1958, and the total outstanding at the end of the year was about $1,010 million. This compares with a total agricultural debt exclusive of CCC loans of $20.3 billion on the same date. The Farmers Home Administration is unique among agricultural lenders in that it makes loans only to farmers who are unable to obtain adequate credit on reasonable terms from other lenders.

The purposes of this article are (1) to show some of the major characteristics of farmers who borrow from the Farmers Home Administration, (2) to compare FHA borrowers with borrowers from such lenders as production credit associations, commercial banks, Federal land banks, and life insurance companies, and (3) to compare FHA borrowers with farmers in general.

The primary objective of the Farmers Home Administration is to assist farmers who are unable to obtain credit from other sources to become successfully established in farming so that within a reasonable period they will be able to operate without further credit assistance from the Government. By the use of supervised credit and technical assistance, the Farmers Home Administration helps farmers who for such reasons as low income, low net worth, youth, the necessity of making substantial adjustments in their operations, or lack of technical know-how, are not served adequately by private and cooperative lenders. Only a small proportion of low-income farmers are able to receive FHA assistance. The extent of the FHA program is determined largely by annual appropriations, and this article does not attempt to appraise the total need for, or the adequacy of, this program.

This article looks at such questions as, Are FHA borrowers mainly young farmers who are just starting farming and have low assets and incomes? Or are they chiefly older farmers who have not been able to obtain adequate resources or who have temporary need for Government credit? Do FHA borrowers in general have lower net worths than production credit associations and commercial bank borrowers? Does the Farmers Home Administration operate a sort of small-loan program, giving borrowers just enough to get by and letting bigger loans go to private lenders? Is the Farmers Home Administration developing a hard core of chronic borrowers unacceptable to private lenders, or do their borrowers "graduate" to private or cooperative credit?

The data on the Farmers Home Administration discussed in this article were obtained in a cooperative survey conducted in 1956 by the Farm Economics Research Division, Agricultural Research Service, and the Farmers Home Administration. The data are for June 30, 1956; they pertain to active borrowers only, and represent information obtained from a random sample of borrowers

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in each FHA county office in the continental United States. 1/ On that date, the Farmers Home Administration had 177,000 borrowers, exclusive of about 3,000 in Hawaii, Puerto Rico, Alaska, and the Virgin Islands. Included in the sample were 25,000 borrowers.

For comparative purposes, this article also uses data on other lenders obtained in other surveys. The survey of Farmers Home Administration borrowers completes a series of surveys made in 1956 of the loans and borrowers of major agricultural lenders. 2/ The Federal Reserve System made a study in 1956 of farm loans and farm borrowers of insured commercial banks. In the same year, the Farm Credit Administration surveyed production credit association borrowers. The Farm Economics Research Division, ARS, and the Farm Credit Administration cooperated in a survey of Federal land bank loans, and the Farm Economics Research Division, ARS, made a survey of farm-mortgage loans of 17 life insurance companies.

In general, a farmer is eligible for a loan from the Farmers Home Administration if:

(1) He is unable to obtain adequate credit from other lenders at reasonable terms;

(2) He is a citizen of the United States and of legal age;

(3) He has good character; and

(4) He has the necessary experience or training and managerial ability to operate a family-type farm.

1/ Borrowers of the Farmers Home Administration are classified in three general groups - active, collection-only, and judgment. The data in this article are for active borrowers only; they are borrowers the Farmers Home Administration is currently assisting. Collection-only borrowers, in general, are those whose loan accounts are in process of liquidation. Judgment borrowers are those against whom the Farmers Home Administration holds unsatisfied court judgments.

2/ See "Farm Loans at Commercial Banks," Federal Reserve Bulletin, November 1956, "Farm Loans to Finance Intermediate Term Investments," Federal Reserve Bulletin, January 1957, "Farm Loans for Current Expenses," and "Loans to Buy Farm Real Estate," Federal Reserve Bulletin, February 1957, and "Interest Rates on Farm Loans," Federal Reserve Bulletin, March 1957; "PCA Members and Their Loans," Bulletin CR8, Farm Credit Administration, May 1957; Betty A. Case, "Farm-Mortgage Loans Held by Life Insurance Companies," ARS 43-58, October 1957, U. S. Department of Agriculture, Washington, D. C.; Russell W. Bierman and Betty A. Case, "Farm-Mortgage Loans of the Federal Land Banks," ARS 43-86, December 1958, U. S. Department of Agriculture, Washington, D. C.

The Farmers Home Administration makes five general types of loans:

(1) Operating loans are made primarily to help farmers obtain livestock and machinery and pay operating expenses. In 1958, operating loans excluding emergency loans were made to 74,500 farmers in the amount of $176 million.

(2) Emergency loans are made to assist farmers in areas severely affected by adverse weather or other conditions. Most emergency loans are made to pay operating expenses and for the purpose of this report emergency loans are classified with operating loans. In 1958, 20,200 farmers received $60 million in emergency loans.

(3) Farm-ownership loans are made for the purchase of farms, farm enlargement, and for farm improvement by providing water, basic soil and land improvements, and necessary buildings. Under this program, $62.5 million was loaned to 4,750 farmers in 1958. Of this amount, $35.5 million represented loans made by private or cooperative lenders under FHA insurance.

(4) Farm-housing loans are made to build and repair farmhouses and other essential farm buildings. In 1958, loans totaled $52 million and were made to 7,450 farmers.

(5) Soil and water conservation loans are made to help farmers or associations of farmers carry out soil conservation practices, install irrigation and drainage systems, develop permanent pastures, and for similar purposes. In 1958, loans were made to 660 individuals in the amount of $5.1 million, of which $2.5 million was loaned by private or cooperative lenders under the insured loan program.

The Farmers Home Administration had 176,650 active borrowers on June 30, 1956 (table 1). About three-fourths of all borrowers had operating loans, and these loans accounted for about half the money outstanding. Fifty-seven percent had adjustment loans made chiefly to acquire enough livestock and equipment for an adequate family-type operation or to adjust production, for example, by changing from cash-crop to general or livestock farming. Twenty-four percent had emergency loans. One-fourth of the borrowers had farm ownership loans that represented 37 percent of the loan balances outstanding. These data, however, do not measure the demand for various types of loans, for FHA funds are limited by appropriations and are not necessarily available in proportion to demand.

CHARACTERISTICS OF BORROWERS AND LOANS

Age

As a rule, FHA borrowers are younger than other farmers and younger than farmers who borrow from insured commercial banks or from production credit associations (table 2). Younger farmers have had less time to accumulate assets or build up their incomes; they may be poorer credit risks and less acceptable to other lenders. For example, 15 percent of all farmers were under 35 in 1954. But of all FHA borrowers in 1956, 27 percent were under 35. This compares with 18 percent for borrowers from production credit associations and 17 percent for borrowers from commercial banks. Only 3 percent of the FHA borrowers were 65 and over, whereas 8 percent of the PCA borrowers and 17 percent of all farmers were in this age group.

Approximately 29 percent of the amount of all FHA loans outstanding was owed by borrowers under 35; two-thirds was owed by borrowers from 25 to 44 years of age (table 3). The average amount owed per borrower was highest for those aged 25 to 44. The same general relationship between age and average amount of debt was found for borrowers from production credit associations (table 4).

The situation was essentially the same for borrowers with commercial bank loans. Although the average debt per borrower became higher as age increased, this was associated with increased equities in livestock,equipment, and real estate. Older farmers usually have a higher net worth. However, within the same net worth group, borrowers under 45 had larger debts.

FHA borrowers who have various types of loans differ significantly as to age (table 5). Approximately a third of the adjustment loan borrowers were under 35 and two-thirds were under 45. These adjustment loans are chiefly intermediate-term loans used to buy machinery and livestock; they are more likely to be needed by younger farmers. As the farmer becomes established and pays off his loans, he soon reaches a point at which he can obtain credit from other lenders. Special livestock loans have the highest proportion of older borrowers; this was a small special program initiated in 1953 during a severe drought to help livestock producers who were temporarily unable to obtain credit elsewhere and loans were not limited to family-type farms. As in other emergency programs, the proportion of older farms participating was higher than for the regular loan programs. The longer term real estate loans, such as farm-ownership, farm-housing, and soil and water conservation loans, also had larger proportions of farmers in the upper age groups than did the adjustment loans. Perhaps one of the chief factors here is that it takes a farmer longer to repay a real estate loan down to a point at which it may be refinanced with another lender, especially if he borrows heavily each year for operating expenses. As a result, he may have a real estate loan long after he is using private or cooperative lenders for operating loans.

Tenure

One-fourth of the FHA borrowers had farm-ownership loans in 1956, and two-thirds of its borrowers were owners (tables 1 and 6). By way of comparison, 76 percent of all farmers were classified as owners in the 1954 Census of Agriculture; the proportion likewise was 76 percent for PCA borrowers in 1956 and 69 percent for farm borrowers of insured commercial banks.

The tenure differences between FHA, PCA, and commercial bank farm borrowers are due probably to the generally higher incomes and better financial position of owners as compared with tenants. The proportion of borrowers who were landlords was higher for both production credit associations and banks. Landlords are eligible to receive certain types of FHA loans such as farmhousing and soil and water conservation loans.

Because real estate loans are larger than those made for other purposes, the average debt per FHA borrower was higher for full owners. They owed an average of $5,780, which compares with $4,720 for part owners and $3,370 for tenants (table 7).

The percentages of FHA borrowers who were owner-operators on June 30, 1956, by type of loan received, are as follows:

Type of loan	Owner-operators
	Percent
Operating:	
Adjustment	59
Emergency	55
Special livestock	75
Total operating 1/	58
Farm-ownership	98
Farm-housing	93
Soil and water conservation	87
All borrowers 2/	66

1/ Includes annual loan and other operating loan borrowers.
2/ Includes other real estate loan borrowers.

Ninety-eight percent of the farm-ownership borrowers were owner-operators. Most of the farm-housing and soil and water conservation loans also were made to owner-operators. Only 59 and 55 percent of adjustment and emergency loan borrowers, respectively, were owner-operators.

Net Worth

Net worth was generally lower for FHA borrowers than for borrowers from production credit associations and insured commercial banks. For any

given amount of net worth, the average amount of debt was higher for FHA than for PCA or bank borrowers. PCA borrowers, on the average, had higher net worths than borrowers from banks. As FHA loans are limited to farmers who cannot obtain adequate credit elsewhere, it would be expected that they would be concentrated in the lower net worth groups. The differences between production credit associations and banks in regard to borrower net worth are consistent with the fact that the average debt per borrower is higher for production credit associations than for banks.

There is considerable overlapping in regard to characteristics of FHA, PCA and commercial bank borrowers, and farmers with low net worths are not left completely to the Farmers Home Administration. Twenty-one percent of all FHA borrowers had net worths of less than $3,000, while the proportion was 13 percent for commercial bank and 7 percent for PCA borrowers (table 8). But farmers with net worths of, say, $10,000 to $24,999 are not exclusively PCA or commercial bank borrowers. Part of the reason for the use of FHA credit by farmers with medium to high net worths is that many FHA borrowers require amounts of credit that are relatively high when compared with their net worths. In addition, the Farmers Home Administration has emergency credit programs to provide credit during periods of natural or economic disasters, and it has pioneered in the making of certain types of nonemergency loans, such as those for farm adjustments, farm housing, and soil and water conservation. Also, net worth is not always a good guide to the financial position of a farmer and his ability to obtain credit. Such factors as income and liquidity of assets may affect his ability to borrow from a bank or a production credit association.

The average debt per FHA borrower tended to increase as net worth increased (table 9). However, the amount of debt was a smaller ratio to net worth when net worth was high. Again, these relationships are an indication that debt may reflect size of farm and operators of large farms can use more operating credit. Also, debts owed chiefly by owners (farm-ownership, farm-housing, and soil and water conservation loans) are larger than debts owed by tenants (tables 8 and 19), while owners in general have average net worths higher than those of tenants.

The average amount of total debt per FHA borrower in any net worth group was higher than the total per borrower from production credit associations and insured commercial banks (table 10). A major reason for this is that many FHA borrowers obtain both real estate and non-real-estate loans from that agency. The usual security for a PCA loan is a chattel mortgage or crop lien, and many bank borrowers obtain their real estate credit elsewhere. An additional and important reason is that farmers who require loans that are unusually high in relation to their net worths, assets, incomes, or security are probably able to obtain credit only from the Farmers Home Administration. With close supervision of borrowers, the Farmers Home Administration can make loans that are relatively high.

When operating loans only are considered, the same general relation between average amount of loan and net worth is found (table 11). For FHA, PCA and bank loans, the average operating debt per borrower increased as net worth

rose. For any given amount of net worth, however, the average operating debt per borrower was higher for the Farmers Home Administration than for production credit associations and higher for production credit associations than for commercial banks. The average debt was related more closely to net worth for PCA and bank borrowers. The data are consistent with the view that, compared with production credit associations, banks prefer loans that are smaller in regard to the farmer's net worth. The data are consistent also with the idea that net worth or a farmer's financial position at the time of making a loan are less important in FHA lending than other things. The main idea is to set up the borrower on an adequate family-sized farm with the expectation that as he makes progress he will obtain more and more of his credit from private and cooperative lenders.

When FHA borrowers are divided into two groups - those having net worths of less than $10,000 and those having net worths of more than $10,000 - some striking differences are seen by type of loan (table 12). A little less than 75 percent of all emergency and adjustment borrowers and more than 60 percent of the farm ownership borrowers had worths of less than $10,000. But from 52 to 70 percent of the borrowers having special livestock, farm-housing, and soil and water conservation loans had net worths of more than $10,000.

Net worth may be related to such characteristics of FHA borrowers as age, tenure, and income. About 83 percent of FHA borrowers under 25 had net worths of less than $7,500, and only 7 percent reported net worths of $10,000 or more. In the group aged 45 to 64, about 35 percent reported $10,000 or more of net worth, but there was some tendency for net worth to be lower for farmers 65 and over. Similarly, income is positively associated with net worth. Only about 17 percent of the borrowers with net worths of less than $3,000 reported gross cash incomes in 1955 of $5,000 or more. But when the net worth ranged from $10,000 to $24,999, about two-thirds had $5,000 or more in income and about one-fifth had incomes of $10,000 or more. Owner-operators consistently had higher net worths than tenants. About half of the tenants reported net worths of less than $3,000 while the proportion so reporting was only 10 percent for full-owner operators and 8 percent for part owners.

Income

In 1955, a little more than half of all FHA borrowers had gross cash incomes from all sources, including total sales of farm products, of less than $5,000 (table 13). However, more than 10 percent reported gross incomes of $10,000 or more. The average amount of outstanding debt per borrower rose as gross income increased. Borrowers with less than $2,500 in income owed an average of $2,310; when gross income was $10,000 or more, the average debt was $8,380. Although debt increased as income rose, the ratio of debt to income was lower when income was higher.

The farmers with larger operations are probably able to use effectively more credit than operators of the smaller farms and they have

the income to support the larger debt. But by using credit, a farmer is able to enlarge his farm, expand production, and increase his income. Owner-operators tend to have the largest gross incomes, and the average debt for owners is higher because many had used FHA real estate credit to enlarge, improve, or buy farms.

In 1955, adjustment and emergency loan borrowers had smaller incomes than other borrowers (table 14). Fifty-five percent of the adjustment, 64 percent of the emergency, and nearly half of the farm-ownership borrowers had incomes of less than $5,000. Farm-housing, soil and water conservation, and special livestock borrowers had higher incomes. They were more likely than adjustment or emergency borrowers to be owner-operators, and owner-operators generally had higher incomes than tenants.

The association of tenure and gross cash income for FHA borrowers is definite, although both owner-operators and tenants are found in all income groups. Approximately 47 percent of the owner-operators had gross cash incomes of less than $5,000 in 1955 and only 12 to 13 percent had incomes of $10,000 or more. Some 63 percent of the tenants reported gross cash incomes of less than $5,000 and 7 percent reported $10,000 or more. Because gross income for a tenant (or a part owner) excludes the landlord's share of production when share rent is paid, a smaller gross income for a tenant is not due entirely to a smaller scale of operation.

Age and income are related also, with farmers in the middle age groups having higher incomes than farmers who were either younger or older. For example, less than 30 percent of the farmers under 25 had gross incomes of $5,000 or more. But nearly half of those in the 25 to 44 year age groups had incomes this large, while the proportion was about 36 percent for those 45 to 64 years old. Approximately 20 percent of the FHA borrowers who were 65 years old or older had $5,000 or more in gross cash income.

Type of Farming

Both the Farmers Home Administration and insured commercial banks reported that more than 40 percent of their borrowers operated general farms (table 15). The similarity of these two lenders is seen also for most other types of farming. General farming was less common for borrowers from production credit associations. Nearly a fifth of the PCA borrowers had livestock farms while only 25 percent had general farms.

Livestock, dairy, and poultry farms are likely to require more credit than cotton and other cash-crop farms because of the larger investment in livestock, buildings, and equipment. The average FHA borrower who operated a livestock farm owed $6,360, which compares with $4,650 for a cash grain farmer and $3,930 for a cotton farmer (table 16). Some of these differences result because farm-ownership loans are more common among livestock and dairy farmers than among cash-crop farmers. FHA farm-ownership borrowers are more likely to be livestock or dairy farmers than are tenants, while tenants are

more likely to be cash-crop farmers. Livestock and dairy farmers also require more operating credit. The average amount outstanding of all operating loans (including emergency and special livestock loans) was $5,410 for livestock farmers, $3,850 for dairy farmers, $3,780 for cash grain farmers, and $2,650 for cotton farmers.

Amount of Debt Per Borrower

Operating loans, including loans with which to buy livestock and equipment, are the most common type of loan obtained by farmers who borrow from banks, production credit associations and the Farmers Home Administration. About three-fourths of the FHA borrowers had operating loans. Most PCA borrowers obtained loans for operating purposes - less than 20 percent had loans for other purposes. Less than 10 percent of the farm borrowers from insured commercial banks obtained loans with which to buy farm real estate while more than 90 percent had only loans for "current expenses," "intermediate-term investments," and similar purposes.

Of the commercial bank borrowers who did not have loans with which to buy farmland, 21 percent owed less than $250, 38 percent owed less than $500, and 57 percent owed less than $1,000 (table 17). This is in marked contrast to PCA borrowers - 37 percent of whom owed less than $1,000 - and with FHA operating loan borrowers, of whom only 24 percent owed less than $1,000. The data indicate that banks are the most convenient and widely used source of credit for farmers who require relatively small amounts of credit. One reason is that some 35 percent of all bank loans for current expenses were made unsecured and unendorsed; for loans for intermediate-term investments such as buying livestock and machinery, 16 percent were unsecured and unendorsed. In contrast, only 14 percent of the PCA loans were unsecured, and all loans of the Farmers Home Administration were secured in some way. In addition to having lower security requirements, banks are able to offer the quick and convenient service that would attract borrowers needing only small amounts of credit. Many banks probably prefer small farm loans because they do not require intensive investigation or supervision.

The following tabulation shows the average amount of debt outstanding for borrowers on June 30, 1956, by source and type of loan.

Source and type of loan	Dollars
Federal land bank	4,840
Seventeen life insurance companies' farm real estate loans	10,840
Production credit associations	3,420
Insured commercial banks:	
To buy farmland	5,320

	Dollars
Insured commercial banks: (Continued)	
Other farm loans---	1,920
All farm loans---	2,230
Farmers Home Administration:	
Operating loans:	
Adjustment---	3,080
Emergency--	2,180
Special livestock--	11,430
All operating loans 1/-------------------------------------	3,210
Farm-ownership loans---------------------------------------	7,290
Farm-housing loans---	4,570
Soil and water conservation loans--------------------------	3,740
All borrowers 2/---	4,830

1/ Includes annual and other operating loans.
2/ Includes other real estate loans.

The average debt per borrower was $1,920 for commercial bank borrowers who did not have loans with which to buy farmland. The average for PCA borrowers was $3,420 and the average for all FHA operating loan borrowers was $3,210. These averages again illustrate the dominance of commercial banks in the field of small farm loans. They may also indicate that PCA and FHA borrowers obtain a larger proportion of their operating credit requirements from the lender than do commercial bank borrowers.

Life insurance companies made the largest farm real estate loans. Outstanding farm real estate loans of 17 life insurance companies averaged $10,840 on June 30, 1956; they reflect the tendencies of most companies active in the field to favor the larger loans and the areas in which the larger loans can be made. The total bank debt of insured commercial bank borrowers who obtained loans with which to buy farm real estate averaged $5,320. FHA farm-ownership loan borrowers had an average farm-ownership loan balance of $7,290. The Farmers Home Administration has some limits on the upper size of loan, it cannot, for example, make a loan in any county for the purpose of buying a farm whose value exceeds the average value of efficient family-type farms in the county. The effect of this limit on size of debt would be offset, at least partly, by the policy of not making loans to buy farms that are too small for efficient operation and by making loans up to 100 percent of the value of the farm purchased. Federal land bank borrowers had an average indebtedness of only $4,840. At the time of the 1956 survey and for a considerable period previously, only a small proportion of land bank loans were made for the purchase of farm real estate. The bulk of the money loaned was to be used to refinance debts or pay for improvements. Of the land bank borrowers, 39 percent had loans obtained in 1950 or earlier, and a large part of the original amount of these loans had been repaid by 1956.

Date of Loan

There is no evidence that the Farmers Home Administration is developing a permanent "hard core" of borrowers who are unacceptable to other lenders and must be continually supplied with Government credit. Instead, the data indicate that the opposite is true. Of all active FHA borrowers with loans outstanding on June 30, 1956, one-fifth had obtained their first outstanding loan in 1956 (table 18). More than half obtained their first outstanding loan in 1954 or later, while only one-fifth of the active borrowers had loans obtained in 1950 or earlier. The survey did not obtain data on the extent to which borrowers may have had previous loans which were repaid or refinanced and so were not outstanding on June 30, 1956. It is believed, however, that the extent of these previous loans was small, and that the date of the earliest loan outstanding on June 30, 1956, represents fairly accurately the date the borrower first participated in the program.

It seems likely that most of the borrowers whose first outstanding loan goes back to the 1940's were farm-ownership borrowers. These loans were made for terms up to 40 years, but about half the loans made by June 30, 1956, had been repaid by that date. However, it would normally be expected that as a borrower made progress he would first obtain his operating credit from a bank or production credit association and later pay off or refinance his real estate loan. Of the 43,000 farm-ownership loan borrowers, 22,000 had no other type of FHA loans. Most other FHA borrowers obtained their first loan after 1950. About 80 percent of the emergency borrowers had their first loan in 1955 or 1956, while the proportion for adjustment borrowers was 34 percent.

A comparison of FHA farm-ownership loans and farm real estate loans of the Federal land banks and life insurance companies shows that, on the average, FHA loans were older loans. Probably, this was due to the fact that more farm-ownership loans were made in the early forties than in any other period. Fifty-four percent of the farm-ownership loans outstanding on June 30, 1956, were made in 1950 or earlier. But only a third of the insurance company loans and 39 percent of the land bank loans were as old as this (table 19).

REGIONAL DISTRIBUTION

The regional distribution of loans of the Farmers Home Administration reflects the types of loans and the needs of farmers for the types of credit offered. Soil and water conservation loans, for example, were concentrated in the Great Plains, Mountain, and Pacific States (table 20). This reflects both the need for irrigation loans in the Western States, and the fact that irrigation loans have been available in 17 Western States since 1937. The present soil and water loan program was extended to the entire country in 1954.

Emergency loans were heavy in the Great Plains States; and special livestock loans were concentrated in the Southern Plains and Mountain States.

The droughts of the early fifties created a need for special emergency financing of farmers and ranchers that could not be met by private and cooperative lenders.

Annual operating loans were concentrated in the Appalachian and Southeastern States, while adjustment loans were numerous in the Appalachian, Southeastern, Delta, and Southern Plains States. In these areas, farmers have the continuing problem of either increasing their scale of operation or of making substantial changes in their operations.

Generally speaking, FHA loans tend to be concentrated in areas in which the proportion of tenancy is high and in which a large percentage of the farms sell only small quantities of farm products. This is shown in the case of real estate loans. A little less than a fifth of all farms are in the Corn Belt, where 25 percent of the farmers were tenants and 41 percent of all farms sold $5,000 or more of farm products in 1954 (table 21). But only 12 percent of all FHA borrowers and 12 percent of FHA farm-ownership borrowers were in the Corn Belt in 1956. However, the five Corn Belt States had 36 percent of all life insurance company farm real estate loans, 17 percent of the land bank borrowers, and 25 percent of the amount of farm real estate loans of insured commercial banks. In contrast, the Southeast had 11 percent of all farms, and approximately 90 percent of the farms in the Southeast sold less than $5,000 in farm products. But 17 percent of FHA's farm-ownership loans were in this region as compared with 10 percent for the Federal land banks, 3 percent for life insurance companies, and 7 percent for insured commercial banks.

Non-real-estate loans of insured commercial banks tend to be concentrated in areas of larger farms with relatively smaller proportions in the southern regions and more loans in the Corn Belt, Great Plains, Mountain, and Pacific States. Production credit associations had a little less than a fifth of their loans in the Corn Belt, but they also had approximately 40 percent of their loans in the Appalachian, Southeast, and Delta States. More than half of the adjustment loans of the Farmers Home Administration were in four regions - the Appalachian, Southeast, Delta, and Southern Plains.

SUMMARY AND CONCLUSIONS

When borrowers from the Farmers Home Administration were compared with borrowers from such lenders as production credit associations and commercial banks, many differences were found, although there was also considerable overlapping between these lenders in regard to borrower characteristics. Usually the PCA borrower was among the older group of farmers - those with the higher net worths and the higher incomes. He was more likely to own part or all of his farm and to have a larger loan than a borrower from a bank or an operating loan borrower of the Farmers Home Administration. Farmers served by commercial banks had net worths lower on the average, than those served by production credit associations. Banks were more likely to have borrowers needing smaller amounts of credit, and a large share of bank loans were unsecured.

On the average, FHA borrowers were younger than farmers in general and also than those who borrowed from banks and production credit associations. More of them were tenants. Their net worths were lower, and at any given level of net worth they required larger loans. They were more likely to operate general, livestock, or dairy farms, than were borrowers from other lenders.

The Farmers Home Administration offers a wide variety of loans, and the characteristics of its borrowers differed considerably by type of loan. Emergency loan borrowers were likely to be among the older farmers with low net worths and low incomes the previous year, who needed credit to pull through a drought or other temporary setback. Special livestock borrowers were frequently substantial operators in temporary need of credit because of drought. Adjustment-loan borrowers were usually among the younger farmers, who needed credit to buy livestock and machinery and become established in farming; their net worths and their incomes were usually low because they were not yet operating adequately stocked and equipped farms. Farm-housing and soil and water conservation loans are offered primarily to fill a gap in the types of credit available from other lenders. These loans were likely to be obtained by older farmers, most of whom owned their farms and were reasonably well-established financially with fair to high net worths and incomes.

Farm-ownership borrowers occupied a sort of middle position in regard to the borrower characteristics discussed. Farm-ownership loans were originally made to younger farmers who had been tenants and were just getting established in farming. However, in recent years, most of these loans have been made to farm owners for farm enlargement, farm improvement, and refinancing. Borrowers with farm-ownership loans outstanding on June 30, 1956, tended to be older, with higher net worths and incomes, than emergency- or adjustment-loan borrowers. But on the whole, they were not as well off as farm-housing and soil and water conservation loan borrowers.

Table 1.- All Farmers Home Administration loans outstanding: Number of borrowers and amount outstanding, by specified type of loan, United States, June 30, 1956

Type of loan	Borrowers		Amount outstanding		
	Total	Distribution	Total	Distribution	Average per borrower
	Number	Percent	1,000 dollars	Percent	Dollars
Operating:					
Annual	4,760	3	5,215	1	1,100
Adjustment	100,790	57	310,218	36	3,080
Emergency	42,610	24	92,935	11	2,180
Special livestock	2,320	1	26,511	3	11,430
Other	1,510	1	1,260	2/	840
Total or average	1/ 136,030	1/ 77	436,139	51	3,210
Farm-ownership:					
Direct	30,620	17	198,049	23	6,470
Insured	12,350	7	115,201	14	9,330
Total or average	42,970	24	313,250	37	7,290
Farm-housing	14,700	8	67,110	8	4,570
Soil and water conservation:					
Direct	4,830	3	12,521	2	2,590
Insured	4,430	3	20,743	2	4,680
Total or average	1/ 8,900	1/ 5	33,264	4	3,740
Other real estate	1,060	1	3,623	2/	3,410
All borrowers	1/ 176,650	1/ 100	853,386	100	4,830

1/ Does not add to total because a borrower may have more than one type of loan.
2/ Less than 0.5 percent.

Table 2.- Percentage distributions of all farm operators in 1954, and of farm borrowers from specified lenders in 1956, by age of individual, United States

Age of individual	All farm operators	Borrowers from- Farmers Home Administration	Production credit associations	Insured commercial banks
	Percent	Percent	Percent	Percent
Under 25 years	2	3	2	2
25 to 34 years	13	24	16	15
35 to 44 years	23	33	29	31
45 to 64 years	45	36	45	1/ 47
65 years and over	17	3	8	---
Not reported	---	1	---	5
Total	100	100	100	100

1/ Borrowers 45 years and over.

Table 3.- Farmers Home Administration loans: Number of borrowers and amount outstanding, by age of borrower, United States, June 30, 1956

Age of borrower	Borrowers		Amount outstanding: Total	Distribution	Average per borrower
	Number	Percent	1,000 dollars	Percent	Dollars
Under 25 years	5,050	3	19,592	2	3,880
25 to 34 years	41,680	24	228,881	27	5,490
35 to 44 years	58,990	33	314,227	37	5,330
45 to 64 years	63,180	36	264,884	31	4,190
65 years and over	5,990	3	16,505	2	2,760
Not reported	1,760	1	9,305	1	5,260
Total or average	176,650	100	853,394	100	4,830

Table 4.- Loans outstanding: Average amount per borrower, by age of borrower and by specified lender, United States, June 30, 1956

Age of borrower	Average amount outstanding		
	Farmers Home Administration	Production credit associations	Insured commercial banks
	Dollars	Dollars	Dollars
Under 25 years	3,880	2,750	1,180
25 to 34 years	5,490	3,630	1,850
35 to 44 years	5,330	3,550	2,200
45 to 64 years	4,190	3,370	1/ 2,460
65 years and over	2,760	3,190	---
Not reported	5,260	---	1,120
All borrowers	4,830	3,430	2/ 2,230

1/ Borrowers 45 years and older.
2/ Includes corporate farms.

Table 5.- Farmers Home Administration loans: Percentage distributions of borrowers, by age of borrower and by type of loan, United States, June 30, 1956

Age of borrower	Type of loan: Operating: Adjustment	Type of loan: Operating: Emergency	Type of loan: Operating: Special livestock	Type of loan: Operating: All 1/	Type of loan: Farm ownership	Type of loan: Farm housing	Type of loan: Soil and water	All FHA loans
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Under 25 years	4	3	---	4	2/	2/	1	3
25 to 34 years	29	20	3/ 15	25	22	14	15	24
35 to 44 years	34	29	26	33	38	38	33	33
45 to 64 years	31	42	4/ 54	34	37	41	44	36
65 years and over	2	5	---	3	3	4	6	3
Not reported	2/	1	5	1	2/	3	1	1
Total	100	100	100	100	100	100	100	100

1/ Includes borrowers obtaining annual and other operating loans.
2/ Less than 0.5 percent.
3/ Borrowers under 35 years.
4/ Borrowers 45 years and over

Table 6.- Percentage distributions of all farm operators in 1954, and of farm borrowers from specified lender in 1956, by tenure of individual, United States

Tenure of individual	All farm operators	Borrowers from-		
		Farmers Home Administration	Production credit associations	Insured commercial banks
	Percent	Percent	Percent	Percent
Owner-operator 1/	76	66	76	69
Tenant	2/ 24	31	21	25
Landlord or other	---	2	3	6
Not reported	---	1	---	---
Total	100	100	100	100

1/ Includes both full owners and part owners.
2/ Includes managers.

Table 7.- Farmers Home Administration loans: Number of borrowers and amount outstanding, by tenure of borrower, United States, June 30, 1956

Tenure of borrower	Borrowers		Amount outstanding		
			Total	Distribution	Average per borrower
	Number	Percent	1,000 dollars	Percent	Dollars
Full-owner operator	90,560	51	523,355	61	5,780
Part-owner operator	26,850	15	126,601	15	4,720
Tenant	54,940	31	185,354	22	3,370
Landlord or other	2,440	2	11,313	1	4,630
Not reported	1,860	1	6,771	1	3,630
Total or average	176,650	100	853,394	100	4,830

Table 8.- Percentage distributions of farm borrowers from specified lender, by net worth of borrower, United States, June 30, 1956

Net worth of borrower	Borrowers from-		
	Farmers Home Administration 1/	Production credit associations	Insured commercial banks
	Percent	Percent	Percent
Less than $3,000	21	7	13
$3,000 to $9,999	43	26	32
$10,000 to $24,999	25	35	31
$25,000 to $99,999	6	27	17
$100,000 and more	2/	5	2
Not reported	5	---	5
Total	100	100	100

1/ End of 1955 crop year.
2/ Less than 0.5 percent.

Table 9.- Farmers Home Administration loans: Number of borrowers and amount outstanding, by net worth of borrower, United States, June 30, 1956

Net worth of borrower 1/	Borrowers		Amount outstanding		
			Total	Distribution	Average per borrower
	Number	Percent	1,000 dollars	Percent	Dollars
Less than $3,000	37,120	21	135,027	16	3,640
$3,000 to $7,499	52,560	30	231,232	27	4,400
$7,500 to $9,999	21,870	13	112,099	13	5,130
$10,000 to $24,999	44,690	25	254,979	30	5,710
$25,000 to $99,999	11,040	6	78,213	9	7,080
$100,000 and more	270	2/	7,236	1	26,580
Not reported	9,100	5	34,608	4	3,800
Total or average	176,650	100	853,394	100	4,830

1/ End of 1955 crop year.
2/ Less than 0.5 percent.

Table 10.- Loans outstanding: Average amount per borrower, by net worth of borrower and by specified lender, United States, June 30, 1956

Net worth of borrower	Average amount outstanding		
	Farmers Home Administration 1/	Production credit associations	Insured commercial banks
	Dollars	Dollars	Dollars
Less than $3,000	3,640	710	540
$3,000 to $9,999	4,610	1,250	1,150
$10,000 to $24,999	5,710	2,080	2,070
$25,000 to $99,999	7,080	4,710	4,230
$100,000 and more	26,580	21,160	16,580
Not reported	3,800	---	---
All borrowers	4,830	3,430	2,230

1/ End of 1955 crop year.

Table 11.- Operating loans outstanding: Average amount per borrower, by net worth of borrower and by specified lender, United States, June 30, 1956

Net worth of borrower	Average amount outstanding		
	Farmers Home Administration 1/ 2/	Production credit associations	Insured commercial banks 3/
	Dollars	Dollars	Dollars
Less than $3,000	2,930	710	510
$3,000 to $9,999	2,920	1,250	1,020
$10,000 to $24,999	3,380	2,080	1,760
$25,000 to $99,999	5,730	4,710	3,750
$100,000 or more	32,420	21,160	14,820
Not reported	2,780	---	840
All borrowers	3,210	3,430	1,920

1/ End of 1955 crop year.
2/ Average amount of annual, adjustment, emergency, special livestock, and other operating loans per borrower reporting one or more of these types of loans.
3/ Average bank debt of borrowers not having loans to buy real estate.

Table 12.- Farmers Home Administration loans: Percentage distributions of borrowers, by net worth of borrower and by type of loan, United States, June 30, 1956 1/

Type of loan	Borrowers reporting net worth- 2/	
	Under $10,000	$10,000 and more
	Percent	Percent
Operating:		
Adjustment	72	28
Emergency	73	27
Special livestock	39	61
All operating 3/	72	28
Farm-ownership	62	38
Farm-housing	48	52
Soil and water conservation	30	70
All borrowers 4/	67	33

1/ Percentage distributions adjusted for borrowers not reporting net worth.
2/ End of 1955 crop year.
3/ Includes borrowers obtaining annual and other operating loans.
4/ Includes borrowers obtaining other real estate loans.

Table 13.- Farmers Home Administration loans: Number of borrowers and amount outstanding, by 1955 gross cash income of borrower, United States, June 30, 1956

1955 gross cash income of borrower	Borrowers		Amount outstanding		
			Total	Distribution	Average per borrower
	Number	Percent	1,000 dollars	Percent	Dollars
Less than $2,500	31,350	18	72,355	9	2,310
$2,500 to $4,999	58,320	33	240,677	28	4,130
$5,000 to $7,499	37,310	21	213,278	25	5,720
$7,500 to $9,999	18,100	10	119,896	14	6,620
$10,000 and more	18,410	11	154,272	18	8,380
Not reported	13,160	7	52,916	6	4,020
Total or average	176,650	100	853,394	100	4,830

Table 14.- Farmers Home Administration loans: Percentage distributions of borrowers, by 1955 gross cash income of borrower and by type of loan, United States, June 30, 1956 1/

Type of loan	Borrowers reporting income-	
	Under $5,000	$5,000 and more
	Percent	Percent
Operating:		
Adjustment	55	45
Emergency	64	36
Special livestock	25	75
All operating 2/	58	42
Farm-ownership	48	52
Farm-housing	39	61
Soil and water conservation	28	72
All borrowers 3/	55	45

1/ Percentage distributions adjusted for borrowers not reporting incomes.
2/ Includes borrowers obtaining annual and other operating loans.
3/ Includes borrowers obtaining other real estate loans.

Table 15.- Percentage distributions of farm borrowers from specified lenders, by type of farm, United States, June 30, 1956

Type of farm 1/	Borrowers from-		
	Farmers Home Administration	Production credit associations	Insured commercial banks
	Percent	Percent	Percent
Livestock (meat animals)	8	19	9
Dairy	18	18	15
Poultry	2	2	2
Cash grain	6	9	11
Cotton	15	14	8
Other major product	8	13	8
General	42	25	43
Not reported	1	---	4
Total	100	100	100

1/ When 50 percent or more of the value of farm products sold was from one type of product, the farm was classified under that product. Otherwise, it was classified as a general farm.

Table 16.- Farmers Home Administration loans: Number of borrowers and amount outstanding, by type of farm, United States, June 30, 1956

Type of farm	Borrowers		Amount outstanding		
			Total	Distribution	Average per borrower
	Number	Percent	1,000 dollars	Percent	Dollars
Livestock	13,540	8	86,140	10	6,360
Dairy	31,560	18	192,767	23	6,110
Poultry	3,540	2	18,233	2	5,160
Cash grain	9,830	6	45,674	5	4,650
Cotton	26,550	15	104,350	12	3,930
Other major product	15,030	8	59,547	7	3,960
General	74,130	42	336,123	40	4,530
Not reported	2,470	1	10,560	1	4,270
Total or average	176,650	100	853,394	100	4,830

Table 17.- Percentage distributions of farm borrowers from specified lender, by size of outstanding debt, United States, June 30, 1956

Size of debt	Borrowers from-		
	Farmers Home Administration 1/	Production credit associations	Insured commercial banks 2/
	Percent	Percent	Percent
Less than $250	3	7	21
$250 to $499	7	12	17
$500 to $999	14	18	19
$10,000 to $1,999	19	21	19
$2,000 to $4,999	36	26	16
$5,000 to $9,999	19	10	5
$10,000 to $24,999	2	5	2
$25,000 and more	3/	1	1
Total	100	100	100

1/ Total amount of annual, adjustment, emergency, special livestock, and other operating loans per borrower reporting one or more of these types of loans.
2/ Total bank debt of borrowers not having farm real estate loans.
3/ Less than 0.5 percent.

Table 18.- Farmers Home Administration loans: Percentage distributions of borrowers, by date of earliest loan and by type of loan, United States, June 30, 1956

Date of earliest loan	Type of loan							All FHA loans
	Operating				Farm ownership	Farm housing	Soil and water conservation	
	Adjustment	Emergency	Special livestock	All 1/				
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1956	14	63	9	25	6	2/	13	20
1955	20	16	17	17	11	2/	34	16
1954	22	11	37	17	8	5	12	15
1953	17	5	37	13	6	16	12	12
1952	15	3	---	11	7	26	15	11
1951	7	1	---	6	8	24	13	7
1946-50	3/ 5	3/ 1	---	7	28	3/ 29	3/ 1	12
1941-45	---	---	---	3	21	---	---	5
1940 and earlier	---	---	---	1	5	---	---	2
Not reported	2/	---	---	2/	2/	2/	---	2/
Total	100	100	100	100	100	100	100	100

1/ Includes borrowers obtaining annual and other operating loans.
2/ Less than 0.5 percent.
3/ 1950 and earlier.

Table 19.- Percentage distributions of farm real estate loans or borrowers from specified lender, by date of loan, United States, June 30, 1956

Date of loan	Life insurance company farm real estate loans	Borrowers from-	
		Federal land banks 1/	Farmers Home Administration 2/
	Percent	Percent	Percent
1955-56	25	26	17
1953-54	23	21	14
1951-52	19	14	15
1950 and earlier	33	39	54
Total	100	100	100

1/ Distribution is by date of latest loan when a borrower had two or more loans. On June 30, 1956, 333,500 borrowers had 353,146 loans.

2/ Farm-ownership borrowers only.

Table 20.- Farmers Home Administration loans: Percentage distributions of borrowers and amount outstanding, by type of loan and by regions, United States, June 30, 1956

Region	Operating loans: Adjustment	Operating loans: Annual	Operating loans: Emergency	Operating loans: Special livestock	Operating loans: All 1/	Soil and water conservation	Farm ownership	Farm housing	All borrowers 2/
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
				BORROWERS					
Northeast	7	4	2	6	6	2	6	6	6
Corn Belt	13	4	7	10	11	4	12	11	12
Lake States	8	5	3	3/	7	2	10	6	7
Appalachian	15	25	11	4	14	4	12	14	13
Southeast	11	32	9	2	11	8	17	18	12
Delta States	12	13	13	7	12	8	18	16	13
Southern Plains	13	6	31	39	16	18	9	12	15
Northern Plains	9	3	19	5	12	12	7	5	11
Mountain	9	6	4	26	8	27	6	8	8
Pacific	3	2	1	1	3	15	3	4	3
United States	100	100	100	100	100	100	100	100	100
				Amount outstanding					
Northeast	9	5	4	1	7	1	6	6	6
Corn Belt	15	5	5	2	11	3	14	9	12
Lake States	9	6	2	3/	7	2	9	5	8
Appalachian	9	15	7	3/	8	3	12	15	10
Southeast	7	15	5	2	7	9	12	19	10
Delta States	9	7	8	1	8	8	13	12	10
Southern Plains	12	12	48	47	22	19	9	12	16
Northern Plains	12	12	11	6	12	16	11	6	11
Mountain	13	15	8	39	14	26	9	10	12
Pacific	5	8	2	2	4	13	5	6	5
United States	100	100	100	100	100	100	100	100	100

1/ Includes borrower obtaining other operating loans.
2/ Includes borrower obtaining other real estate loans.
3/ Less than 0.5 percent.

Table 21.- Selected characteristics of farm operators in 1954 related to specified types of loans outstanding in 1956, by or within regions

Item	North-east	Corn Belt	Lake States	Appal-achian	South-east	Delta States	Southern Plains	Northern Plains	Mountain	Pacific	United States
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Farm operators 1954	8	19	9	18	11	10	9	7	4	5	100
Percentage of farm operators within region who-											
Were tenants	7	25	14	26	33	40	26	30	15	10	24
Reported farm product sales of $5,000 or more	35	41	37	10	11	10	23	48	42	39	27
Farm real estate loans:											
Distribution of-											
Borrowers with loans outstanding June 30, 1956:											
FHA farm ownership loans	6	12	10	12	17	18	9	7	6	3	100
Federal land bank loans	7	17	13	7	10	7	13	13	7	6	100
Loans outstanding held by 17 life insurance companies	3	36	9	6	3	5	12	14	7	5	100
Loans outstanding June 30, 1956, held by insured commercial banks	14	25	12	15	7	5	4	4	3	11	100
Non-real-estate loans:											
Distribution of-											
Borrowers with loans outstanding June 30, 1956:											
FHA adjustment loans	7	13	8	15	11	12	13	9	9	3	100
Production credit association loans	11	20	8	17	11	11	8	5	5	4	100
Amount of loans outstanding held by insured commercial banks	7	23	10	7	4	4	11	13	10	11	100